Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| OCTOBER 2013 | CSD FACT SHEET 13-30 |

Can a College-Saver Identity Help Resolve the College Expectation-Attainment Paradox?

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Key Points

- Students with *college-bound identities* (i.e., those who expect to attend and graduate from college but are not saving for that purpose) must develop ways to address inevitable obstacles such as cost.
- Savings programs might help children not only save and pay for college but also develop a *college-saver identity,* which involves not only expectations but also a strategy for paying for college.
- Evidence presented here suggests that students with college-saver identities are less likely to experience the college expectation-attainment paradox or "wilt"[1] than students with college-bound identities only.
- The college-saver identity is more predictive of reducing wilt than the college-bound identity.
- For college graduation rates, it appears that the college-saver identity is more predictive for children with $500 or more in savings than for children with less than $500 in savings.

Policy and Research Background

Low-income children face an expectation-attainment paradox. Minority and low-income children have many of the same aspirations for college as more advantaged children, but their college enrollment and completion rates are much lower. In one study, 70% of low-income children planned in 10th grade to enroll in college, but only 54% actually did so upon graduating from high school.[2] Thus, 23% of low-income children experience wilt, contrasted with only 9% of high-income students.[1] Research suggests that even very small amounts of savings for school may empower low-income children who graduate from high school to enter and succeed in college.[1, 3] This fact sheet presents evidence on how Children's Development Accounts (CDAs)[4] may help reduce wilt.

The College-Bound Identity

According to identity-based motivation (IBM) theory, three principal components affect the relationship between self-identification and motivation: (1) identity salience, (2) congruence with group identity, and (3) interpretation of difficulty.[5, 6] Identity salience is the idea that a child is more likely to work toward a goal when images of the future self are at the forefront of the mind. Congruence with group identity occurs when an image of the self feels tied to ideas about relevant social groups (e.g., friends, classmates, family, and cultural groups). Interpretation of difficulty refers to a child's means for normalizing and overcoming obstacles. For children to sustain effort and work toward a self-image (such as a college-bound identity), they and their environment must provide ways to address inevitable difficulties. Research shows that these three principles are important predictors of children's school behaviors.[5, 7-10]

College expectations can serve as a proxy for a *college-bound identity*.[10] However, savings may be a missing link for those students who expect to attend college but do not have a plan for overcoming financial barriers. Even once they have identified college as an important goal, without a savings strategy, they may not know how to move forward.[1] As a result, these students may see college as a path closed to them. They want to go and can even identify as a college-prepared student, but they cannot imagine how to overcome the barrier of high costs.

*This Fact Sheet is based on work by Elliott and colleagues: Elliott, W. (2013). Small-dollar children's savings accounts and children's college outcomes. *Children and Youth Services Review, 35* (3), p. 572-585. doi:10.1016/j.childyouth.2012.12.015; Elliott, W., & Beverly, S. (2011). The role of savings and wealth in reducing "wilt" between expectations and college attendance. *Journal of Children and Poverty, 17*(2), 165-185. doi:10.1080/10796126.2011.538375. Elliott, W., Song, H-a, and Nam, I. (2013). Small-dollar accounts, children's college outcomes, and wilt. *Children and Youth Services Review, 35* (3), p. 535-547. doi:10.1016/j.childyouth.2012.12.001

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The College-Saver Identity

A student with a *college-saver identity* expects to go to college *and* has identified savings as a strategy to pay for it.[11] Students with college-saver identities are more likely to attend and graduate from college than students who have college-bound identities.

How might children form college-saver identities? *Mental accounting* is the process of dividing current and future money into different categories to monitor spending.[12] Behavioral economists suggest that mental accounting affects when and how people use money.[12-16] In other words, money is not entirely fungible, and different mental or physical accounts hold different purposes and meanings, which affect how people deposit money into the accounts and how they use it.[15] The process of creating mental accounts also has implications for how children form actionable identities.

- Designating savings for school through mental accounting may be a way for children to develop a college-saver-identity. Regardless of the savings amount, the act of saving indicates that the child is thinking about college and sees it as an important and possible goal.
- Designating money for college also indicates that the child sees saving as a way to overcome the difficulty of paying for college. From this perspective, even small-dollar accounts—which signify current and *future* savings—might signal to a child that financing college is possible.
- Designating money for college indicates that a child perceives that people like them can go to college and that they are ready to act in ways that fit the college-saver identity.

Is having college-designated savings a good proxy for a college-saver identity? Sixty-four percent of children with no savings, 68% with a basic savings account but no school-designated savings, and 81% with school-designated savings expect to graduate from a four-year college.[1] When data are broken down by race, income and amount of savings patterns persist. Among Black students, 64% with no account, 74% with a basic savings account but no school-designated savings, 87% with $1 to $499 of school-designated savings, and 94% with $500 or more of school-designated savings expect to graduate from college. Among White students, 78% with no account, 78% with a basic savings account but no school-designated savings, 90% with $1 to $499 of school-designated savings, and 97% with $500 or more of school-designated savings expect to graduate from college.[17]

Among low- and moderate-income (below $50,000) students, 66% with no account, 65% with a basic savings account but no school-designated savings, 82% with $1 to $499 of school-designated savings, and 95% with $500 or more of school-designated savings expect to graduate from college. Among high-income ($50,000 or more) students, 76% with no account, 88% with a basic savings account but no school-designated savings, 98% with $1 to $499 of school-designated savings, and 97% with $500 or more of school-designated savings expect to graduate.[18]

- These data provide support for the conclusion that designating savings for college is a good proxy for the college-saver identity.
- Wide gaps in college expectations by income levels and race almost disappear among all students with college savings of $500 or more.

Are College Savers Less Likely to Experience Wilt?

A sizable number of minority and low-income children with the will and academic ability to attend college fail to transition to college after high school graduation or succeed once enrolled (i.e., wilt). Evidence that having a college-saver identity reduces wilt includes the following:

- A college-saver identity is associated with being about three times more likely to enroll in college than having a college-bound identity.[1]
- In the aggregate, children who have a college-saver identity and $500 or more in school-designated savings are about two times more likely to graduate from college than children who have a college-bound identity only.[19]
- Children in low- and moderate-income households (i.e., those that have incomes below $50,000 per year) with college-saver identities and school-designated savings of $1 to $499 or $500 or more are about three times more likely to graduate college than children who have a college-bound identity only.[19]
- Further, Black children with college-saver identities and school-designated savings of $500 or more are about two and half times more likely to graduate from college than Black children with a college-bound identity only.[19]

Conclusions and Implications

Children at all income levels and of all races share aspirations for college attainment, but the reality of disparate educational outcomes—the attainment-expectations paradox—challenges the reality of education as a pathway to the American dream. Some evidence suggests that asset accumulation initiatives, including CDAs, may help low-income and minority children form college-saver identities that can better align attainment with expectations.

Endnotes

1. Elliott, W., & Beverly, S. (2011). The role of savings and wealth in reducing "wilt" between expectations and college attendance. *Journal of Children and Poverty, 17*(2), 165-185. doi:10.1080/10796126.2011.538375

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Acknowledgments

Support for this Fact Sheet comes from the Lumina Foundation for Education. Other funders of research on college savings include the Ford Foundation, the Charles Stewart Mott Foundation, and the Citi Foundation. The authors would like to thank Margaret Clancy, Melinda Lewis, and Tiffany Trautwein for their very helpful reviews.

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